

Message Text

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PAGE 01 BUENOS 07591 162142Z

70

ACTION ARA-20

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03

CIEP-02 LAB-06 SIL-01 OMB-01 NSC-10 SS-20 STR-08

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R 162105Z OCT 73

FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 3956

LIMITED OFFICIAL USE BUENOS AIRES 7591

E.O. 11652: N/A

TAGS: EGEN, AR

SUBJECT: CONSUMER PRICE INDEX: SEPTEMBER

1. BEGIN UNCLASSIFIED. OFFICIAL CONSUMER PRICE INDEX INCREASED BY 0.5 PER CENT IN SEPTEMBER, RESULTING IN 29.9 PERCENT INCREASE SINCE JANUARY 1, AND 55.4 PER CENT INCREASE OVER PAST 12 MONTHS. AS COMPARISON, AUGUST TO AUGUST INCREASE WAS 58.4 PER CENT AND MAY TO MAY RATE 78 PER CENT. INDEX STILL 1.7 PER CENT BELOW LEVEL OF MAY 1973, WHEN NEW PRICE POLICY PUT INTO EFFECT.

2. THREE OF FIVE CATEGORIES MAKING UP INDEX INCREASED IN SEPTEMBER, FOOD UP 2.6 PER CENT, GENERAL EXPENDITURES UP 1.7 PER CENT, AND HOUSEHOLD SUPPLIES UP 2.1 PER CENT. SUBSTANTIAL DECLINE OF 7.5 PERCENT FOR CLOTHING ALMOST OFFSET THESE INCREASES. NO CHANGE REGISTERED IN FIFTH CATEGORY HOUSING, WHICH PRIMARILY REFLECTS ANNUAL CHANGES.

3. INCREASE IN FOOD PRICES WHICH ACCOUNT FOR ABOUT ONE HALF OF OVERALL INDEX, ATTRIBUTED PRIMARILY TO INCREASED FRUIT AND VEGETABLE PRICES. SHARP DECLINE IN CLOTHING PRICES WAS EXPECTED AS RESULT OF PRICE CUTS DECREED BY GOA IN LATE AUGUST.

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4. WHOLESALE PRICE INDEX SHOWS SIMILAR TREND, INCREASING BY 0.3

PERCENT IN SEPTEMBER. THIS RESULTED IN 30.3 PERCENT INCREASE SINCE JANUARY 1, AND 41.6 PERCENT RISE OVER PAST 12 MONTHS. INDEX FOR SEPTEMBER STILL 0.7 PERCENT BELOW PEAK OF MAY 1973. END UNCLASSIFIED.

5. BEGIN LIMITED OFFICIAL USE. STRICT PRICE CONTROLS OF LAST FOUR MONTHS DESCRIBED AS FIRST, OR SHOCK, PHASE OF GOVERNMENT'S LONG-RANGE POLICY SAID TO BE NECESSARY TO FORCE SHARP READJUSTMENTS FROM PREVIOUS HIGH RATE OF INFLATION. THIS PHASE CONCENTRATED ON ITEMS IN FAMILY MARKET BASKET. POLICY NOW HAS MOVED TO SECOND PHASE WHICH IS TO BE MORE FLEXIBLE AND SELECTIVE IN ORDER CORRECT INEQUITIES AND DISTORTIONS ARISING FROM CONTROLS AND PERMIT MORE EXPANSION IN ECONOMY. JOINT BUSINESS-LABOR COMMITTEES FORMED IN EACH OF 23 INDUSTRIAL SECTORS TO REVIEW GENERAL SITUATION WITHIN SECTOR, AS WELL AS INDIVIDUAL REQUESTS FOR PRICE INCREASES, AND REPORT FINDINGS TO GOA. HIGHER PRICES FOR IMPORTED INPUTS SPECIFICALLY IDENTIFIED AS ACCEPTABLE GROUNDS FOR PRICE INCREASE REQUESTS. SECOND PHASE THUS OFFERS POSSIBILITY OF EVENTUAL ADJUSTMENTS TO BUSINESSES CLAIMING TO BE HARD PRESSED UNDER CURRENT PRICES, BUT OPERATING PROCEDURES OF SECTORIAL COMMITTEES UNDEFINED AND THEIR INITIAL RECOMMENDATIONS NOT EXPECTED UNTIL NOVEMBER. MAJOR EFFECT ON CONSUMER PRICE INDEX OF ANY RESULTANT INCREASES MAY THUS BE POSTPONED.
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